

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SS-15 NSC-05 SP-02 OES-09 DOE-15

SOE-02 EB-08 CIAE-00 INR-10 NSAE-00 L-03 OMB-01

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R 230740Z AUG 78

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 1014

INFO AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L JAKARTA 11468

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: NO AGREEMENT ON DISCOUNTS FOR MINAS CRUDE

REF: JAKARTA 10614

1. PERTAMINA PRESIDENT DIRECTOR HARYONO HAS TOLD EMBASSY THAT GOI HAS DECIDED NOT TO DISCOUNT MINAS CRUDE. CONSEQUENTLY, HARYONO EXPECTS INDONESIAN PRODUCTION TO CONTINUE TO RUN BETWEEN 1.55 MILLION AND 1.6 MILLION BARRELS A DAY, DOWN ABOUT 100,000 B/D FROM EARLIER 1978 PRODUCTION LEVELS.

2. HARYONO SAID FINANCE MINISTER WARDHANA IS ESPECIALLY OPPOSED TO DISCOUNTING INDONESIAN CRUDE. WARDHANA DOES NOT ACCEPT THE CONTENTION THAT INDONESIA NECESSARILY LOSES REVENUE BY SHUTTING IN CAPACITY, ARGUING INSTEAD THAT SINCE THE OIL REMAINS AVAILABLE FOR THE FUTURE, THE ISSUE IS THE TIMING OF THE REVENUE STREAM. ACCORDING TO HARYONO, WARDHANA IS PREPARED TO ACCEPT SOME REDUCTION IN REVENUES IN 1978.

3. HARYONO INDICATED HE WOULD PREFER TO APPLY A \$1.00 PER BARREL DISCOUNT TO MINAS CRUDE SOLD THROUGH THE CALTEX SYSTEM IN ORDER TO ENSURE MAXIMUM PRODUCTION
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THROUGH REMAINDER OF 1978. HARYONO SAID SUCH DISCOUNTING COULD BE LIMITED IN TIME TO NO MORE THAN 3 TO 6 MONTHS. HE INTENDS TO DISCUSS THE ISSUE FURTHER WITH WARDHANA AND OTHER CABINET MINISTERS INDICATING IT IS STILL POSSIBLE THAT SOME SORT OF SALES AGREEMENT WITH CALTEX COULD BE REACHED.

4. EMBASSY COMMENT. WARDHANA'S REPORTED WILLINGNESS TO ACCEPT SHUT IN PRODUCTION AND REDUCED REVENUES FOR REMAINDER OF 1978 MAY BE DUE IN PART TO THE OIL REVENUE PROJECTIONS CONTAINED IN INDONESIA'S FISCAL 78/79 BUDGET. THESE PRODUCTIONS ENVISAGED A RATHER CONSERVATIVE LEVEL OF 1.58 MILLION B/D AS THE AVERAGE FOR THE FISCAL YEAR. GIVEN THE NEARLY 1.7 MILLION PER DAY AVERAGE PRODUCTION OVER PREVIOUS MONTHS AND THE NEARLY 1.6 MILLION B/D AVERAGE CURRENTLY, OIL REVENUE EARNINGS WILL LIKELY EXCEED THE BUDGET'S PROJECTIONS IN ANY CASE.
GARDNER

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NNN

Message Attributes

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